



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Michael O. Leavitt
Governor

Kathleen Clarke
Executive Director

Lowell P. Braxton
Division Director

1594 West North Temple, Suite 1210

PO Box 145801

Salt Lake City, Utah 84114-5801

801-538-5340

801-359-3940 (Fax)

801-538-7223 (TDD)

September 21, 1999

David Suhr
Idle Properties Manager
Hecla Mining Company
6500 Mineral Drive
Coeur d'Alene, Idaho 83814-8788

Re: Request for Reclamation Surety Reduction, Hecla Mining Company, Escalante Silver Mine and Mill, M/021/004, Iron County, Utah

Dear Mr. Suhr:

The Division has reviewed your request for a reduction in the \$389,300 reclamation surety presently held for the Escalante Silver mine, as requested in your March 12, 1999 and December 21, 1998 correspondence. On September 16, 1999, we received your Sales Agreement between Dixie Cable Services and Hecla Mining Company. I apologize for the excessive amount of time it has taken to process this request. As you know, the Division performed an inspection of the mine site on April 14, 1999 in response to your release request (inspection memo attached).

Our April 17, 1998 conditional approval letter outlined three items that needed to be resolved before additional reclamation surety could be released. Our final approval of the post-mining land use change was also tied to the successful resolution of the conditions. The status of the conditions is outlined below:

Condition #1 - required that all other permits and/or clearances be obtained from the appropriate federal, state, and local authorities having jurisdiction over the proposed post-mining industrial land use. *Would you please provide us with a listing of the regulatory permits and/or clearances that have been obtained to date. Also identify those that are still pending.*

Condition #2 - required that the private property dispute concerning the issue of clear fee title to the property be resolved between the BLM, the School Institutional Trust Lands Administration (SITLA) and Hecla Mining Company. *To date, we have no confirmation that this issue has been resolved. During an August 26, 1999, telephone conversation between Angela Williams (BLM - State office) and Lynn Kunzler of my staff, we were informed that this issue has not yet been resolved. The surface ownership in Section 2 (see Figure 1 - labeled Hecla property) is still apparently held by the BLM.*

Condition #3 - required an updated surface facilities map outlining the disturbed areas to remain under

Hecla's control and those being effectively transferred. Acreage figures, disturbed area boundaries, property ownership and section corners must be clearly shown on the map. *Figure 1, does not include the disturbed acreage figures or outline the disturbed area boundaries (only the property boundaries are highlighted on the map). Please update this figure/map to include this information. This information is needed to assist us in determining the disturbed acreage to remain under Hecla's reclamation surety.*

As a result of our latest site inspection and a review of the sampling test results contained in the *Kleinfelder* report, we have identified the following areas of concern that also need to be resolved:

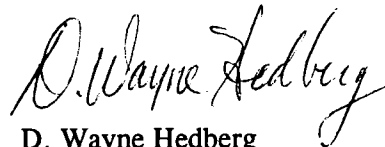
1. **Cleanup of mining related hazardous wastes.** This includes the residue from the thickener tank and the plant wash down water. Data from the sampling indicated elevated levels of metals and cyanide. According to the Utah Division of Solid and Hazardous Waste, these constituent levels would be considered a hazardous waste and need to be handled and disposed of accordingly. *We are meeting in-house concerning the Kleinfelder environmental report in mid October. At a minimum, an acceptable plan to properly dispose of all residual deleterious/hazardous materials that remain on the mine/mill property will be required, prior to bond release/post mining land use change.*
2. **Reclamation of the waste rock pile.** The Division of Solid and Hazardous Waste has informed us that the residual metal concentration levels (principally lead) in the waste rock pile may have the potential to create an environmental (soils and/or surface water) contamination problem. The original mine plan proposed to use the waste rock material as road base within the mine site area. Under the present circumstances, this proposal is no longer applicable or acceptable. *Unless it can be demonstrated that the waste rock pile is not a significant source of environmental contamination, Hecla will need to reclaim this residual mine feature. We would suggest the following: regrade the pile to a 2h:1v (or less) slope, cover the surface with at least 1 foot of topsoil and revegetate with an approved seedmix. We would consider a topsoil cover of 6 inches with an application of at least 10 ton/acre of composted manure.*
3. **Reclamation of the ore stockpile area, the crusher pocket and pocket feeder.** We question the need for these facilities for the proposed post-mining land use. *Unless it can be demonstrated that these facilities are needed, Hecla will need to remove them and reclaim the associated surface disturbance.*

In summary, the three conditions as outlined in our April 17, 1998 conditional approval have not been completely resolved. In addition, the subsequent environmental audit conducted by Dixie Cable's consultant has uncovered residual deleterious and/or hazardous materials that must be adequately mitigated before we can release Hecla from its reclamation liability at this site. Once the remaining conditions and environmental concerns have been resolved, the Division will be prepared to release (or reduce) the remaining reclamation surety held for this site.

Page 3
David Suhr
M/021/004
September 21, 1999

Please contact me or Lynn Kunzler of my staff if you have questions concerning this letter or wish to schedule a meeting to discuss this matter further. We can be reached at (801) 538-5286 and 538-5310, respectively.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb

Attachment: 4/14/98 inspection memo

cc: Ed Ginouves, BLM, Cedar City Area Office
Tom Mitchell, Assistant A.G.'s Office
Angela Williams, BLM, Salt Lake Area Office
Mary Ann Wright, DOGM
Lynn Kunzler, DOGM
Doug Jensen, DOGM

m21-04.let